

# **Councillors Allowances and Expenses (LGiU)**

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## **Overview**

Allowances and expenses are subject to a great deal of public interest given the furore over MPs' expenses. In comparison, local government has particularly rigorous standards of transparency and accountability. Councillors must enter on a public register all their financial and other outside interests. They must also declare their interest in any item to be debated in council or committee. The rules on what councillors may claim in expenses and allowances are set by an independent panel. No councillors can sit on this panel but they can be called to give evidence.

All councils publish their members' allowance scheme setting out the allowances members are entitled to receive and what expenses they are able to claim for. Most allow councillors to claim for some travel, subsistence, meals and accommodation when away from home when it is required for council approved duties. There are strict rules about this. The total amount of allowances claimed by each councillor are published annually by the council in the local newspaper.

While serving as a councillor an individual is restricted from being employed by the council. They are also restricted from being employed by the council for a period after they are no longer a councillor.

Being a councillor is not necessarily a full-time role and many continue to work in addition to being a councillor. They may hold other public body positions for which they may receive income. However, there are strict rules about declaring any interests. Councillors do not receive severance pay at the end of their term of office.

Some councils have devised ways to allow the public to hold councillors to account and ensure value for money in return for the allowances they receive. Some have developed role descriptions defining what is expected: they may also collate and publish attendance at meetings records, and require councillors to report on their activities regularly and systematically. Several councils have introduced a clawback scheme where councillors who fail to perform adequately are asked to return some of their allowance(s) and their expenses.

## **Briefing in full**

### **Who decides the level of allowances and expenses**

Local authorities in England are required to set up independent remuneration panels (IRPs) to review and make recommendations on councillors' allowances. The panel must consist of at least three people, none of whom

may be a member of the local authority in question, or its committees, or an employee of the council. Government guidance suggests ways of selecting a panel and that care is taken to ensure the independence of the panel and the public perception of its independence. The panel's recommendations may remain in place for up to four years, after which the allowances scheme should be reviewed by the panel. The panel is also required to meet whenever the council decides to amend its allowances scheme. Authorities are not obliged to accept and implement their panel's recommendations (except on the issue of pensions: when a panel determines an authority should not permit members to join the Local Government Pension Scheme, its decision is binding). The allowances scheme is an issue for all councillors and must be voted on by the full council.

## **Publicising the allowances' scheme**

The council must advertise the scheme which it adopts and publicity must be given to the recommendations of the panel. The publicity must specify the main features of the scheme and describe the responsibilities which attract a special responsibility allowance. Government guidance suggests the information should be published on the authority's web-site, in at least one local newspaper and in the authority's own newspaper, if it has one. As the scheme must be adopted by full council it is subject to public scrutiny and media attention. The council must also publish the actual amounts paid to its councillors in any given year and total sum paid by it to each member in respect of basic, special responsibility and childcare and dependent carers' allowances.

## **What allowances can be claimed**

The Local Government Act 2000 and the consolidated Members' Allowances Regulations of 2003 enables a panel to consider the following allowances:

- Basic allowance
- Special responsibility allowance
- Dependents' carer's allowance
- Pensions for members
- Travel and subsistence allowances
- Co-optees allowances
- Provision for suspension of allowances under certain circumstance
- Suitability of an index for allowances and what that index may be.

## **Variation in allowances schemes**

The ability to tailor schemes according to local circumstances has led to a wide variety in the levels and types of allowances being paid to elected members

The IDeA's 2006 annual survey of member allowances for all English local authorities provides the most up-to-date comprehensive information. A further survey carried out by the IDeA in 2008 remains unpublished. It is expected

after the June election period. The 2006 survey data shows some interesting features from which the following highlights have been extracted:

<b>Average allowances paid in English local authorities by type</b>						
<b>Council type</b>	<b>Basic allowance</b>	<b>Leader's SRAs*</b>	<b>Cabinet SRAs*</b>	<b>Scrutiny Chairs SRAs*</b>	<b>Planning Chairs SRAs*</b>	<b>Chairs SRAs*</b>
<b>London Boroughs</b>	£9,227	£31,784	£17,634	£10,738	£9,978	£8,066
<b>Met Councils</b>	£9,512	£25,690	£12,161	£8,394	£7,787	£6,001
<b>Shire Counties</b>	£8,941	£25,665	£14,912	£9,929	£6,070	£4,074
<b>Shire Districts</b>	£3,991	£11,065	£5,944	£3,721	£3,824	£3,034
<b>Unitarities</b>	£7,406	£20,338	£11,748	£5,311	£6,962	£5,818
<b>All types</b>	£5,648	£16,356	£9,243	£5,686	£5,172	£4,064

\*These special responsibility allowances are paid in addition to the basic allowance.

Source: 2006 Survey of Members' Allowances (LGAR, 2007)

In summary, the survey shows that the average members' basic allowance is £5,648 and that this has increased by 9% on average since 2004. London Boroughs as a whole continue to provide the most generous allowances while shire districts continue to offer significantly less recompense for their members.

According to the last available data, Dr Declan Hall at the Institute of Local Government Studies (Inlogov) found that on average the leader's allowance roughly equates to 3 times the average basic allowance, while a cabinet member's allowance is approximately 60% of the leader's allowance and the allowance for an overview and scrutiny chair is approximately the same as a basic allowance.

## **Basic allowance**

All members of an authority are entitled to a basic allowance. The data shows that the highest basic allowances are received by metropolitan councillors with the lowest by district councillors.

There is a great spread between the amounts of basic allowance, even among similar types of authority. The highest basic allowance in 2006 was afforded to Birmingham City Councillors who received £15,147. The lowest basic allowance for a metropolitan authority was in neighbouring Solihull at £6,613. The lowest basic allowance was for South Ribble at £1,500.

## **Special Responsibility Allowances**

Special responsibility allowances recognise that some members, usually those on the executive or who chair council committees, will spend more time on council work. Many of these members will spend in hours what amounts to a full time job on council business and it is unsurprising that the allowances for directly elected mayors and leaders are the most significant.

Directly elected mayors are most often the members who receive the highest remuneration and the highest paid of these are significantly better paid than

many council leaders elected by the council. There seems to be some consensus that the nature of the post of directly elected mayor is seen as a full time post which may require an allowance similar to a professional salary. Both the directly elected mayor of Newham and the Leader of Birmingham City Council receive an allowance of £67,227, similar to the pay of a backbench MP.

## **Dependents' carer's allowance**

This allowance assists members by covering the cost of employing another person to undertake their caring responsibilities while they attend meetings. The number of authorities offering this support to members with caring responsibilities has increased to 84% of councils. Many authorities also make a distinction in the amounts that may be claimed for childcare as opposed to other dependents' care. Payments usually vary between £5 and £7.50 an hour. Only two-thirds of councils offer a childcare allowance, usually between £5 and £6 per hour.

The survey does not reveal the extent to which this allowance is being used - and anecdotal evidence tells us that while many more authorities are offering this allowance they have a membership that rarely makes use of it, even where councillors may have caring responsibilities for dependents. The number of councillors who have caring responsibilities is decreasing and this is the group least likely to stay as elected representatives. Councillors cite caring responsibilities as the second biggest factor affecting their decision to stand down. Councillors from ethnic minority backgrounds have a significantly higher proportion of caring responsibilities.

## **Pensions**

Less than half of authorities offer their councillors access to the Local Government Pension Scheme (LGPS) despite 60% of independent remuneration panels recommending that members should be eligible to join. Only two of the authorities who responded to a survey restricted membership of the scheme rather than making it available to all members. A further three decided to permit only the basic allowance to be pensionable rather than the basic and special responsibility allowances.

It is interesting to note that when questioned in 2004 in a survey by the Local Government Employers organisation, of all the 4311 councillors who were both eligible to join and whose authorities had made the scheme available to them, only 912 had decided to join the LGPS. In 2008 this figure rose, with 1090 councillors joining from among 4062 who were eligible to do so. Pensions have been taken up by less than 5% of the approximately 20,000 councillors in England. Despite some authorities allowing members to join there may be little incentive for those on low levels of members' allowances to enter into the pension scheme.

## **Tax and benefits**

Councillors' allowances and expenses are subject to the normal taxation rules for the public in general. Councillors may claim exemption for tax only where

the expenses actually incurred were wholly, exclusively and necessarily in the performance of their official duties. This is in contrast to the allowances paid to members of the House of Lords for example, which are free of tax, and are regarded as an allowance which contributes to the democratic process.

Councillors' allowances are taken into account and treated as income by the DWP when considering means-tested benefits. The rules on benefits are complex and vary according to the benefit: the effect of these rules can be that councillors lose their entitlement to benefits if they are in receipt of allowances. The DWP may deduct legitimate expenses from a member's allowances when assessing a claim.

The LGiU has published a revised edition of its best selling guide *Councillors' Tax and Benefits 2009* which offers guidance to councillors and their advisers in an easy to read plain English format.

## **Wales, Scotland and Northern Ireland**

Members in Wales, Scotland and Northern Ireland are subject to different arrangements as responsibility for councillors allowances is a devolved matter.

Welsh authorities (which are all unitary) are subject to a single independent remuneration panel who decide on a single allowances scheme for all its authorities. The standard basic allowance is currently £12,718. Special responsibility allowances are set nationally and the Leader's allowances vary according to the size of the authority. The panel has recommended that the LGPS should be open to all councillors and that this should apply to both the basic and special responsibility allowances. 42% of Welsh councillors join the LGPS.

Members in Scottish authorities (all unitary) receive allowances according to a scheme recommended by a single independent remuneration panel. The standard basic allowance is currently £15,452. The Leader's special responsibility allowance varies according to the size of the population and the spend of the authority. 61% of Scottish councillors join the LGPS.

Members in Northern Ireland (district councils with limited functions) also have a national scheme set by a single independent remuneration panel. The standard basic allowance is £9,500.

## **Comment**

The issue of Members' allowances continues to divide opinion. Some believe that all councillors should be regarded as volunteers, and as such receive relatively little allowance or remuneration. Magistrates and school governors do not receive allowances, although both may claim expenses and magistrates may claim for financial loss. Others believe that a more enabling approach would be to set allowances at a level which would enable people to stand who might not otherwise be able to do so, as a living wage is essential to allow anyone without independent means to serve as a councillor. Other public bodies pay a range of salaries, including primary care trusts, regional development agencies, and police authorities.

Attracting potential candidates to stand for election is not solely linked to the issue of remuneration as few people become a councillor for the financial

rewards. Other factors such as a general lack of public understanding of the role of councillors, the time taken to perform the role, a lack of appreciation, and lack of confidence in local authorities all hamper the ability to recruit new potential councillors. Some have argued for additional special allowances aimed at attracting and retaining under-represented groups.

The framework in which councillor allowances operate is subject to a high degree of transparency and accountability. Nevertheless, there are improvements which could still be made.

The publication of actual allowances paid to each member is something which all authorities are required to do. The public may wish to have further detail in respect of publishing the totality of allowances and expenses, such as claims for subsistence and travel expenses, pension contributions, provision of telephones and IT equipment and so on.

The great degree of variation between authorities (even those of a similar type) in allowances adds to the confusion in the public's understanding of the councillor's role. Some of the public believe that all councillors are in receipt of large allowances and are shocked when they learn that the typical allowances are so modest. When informed about the true level of allowances, most members of the public in employment say that it is not a sufficient incentive to become a councillor and that the allowances paid are not unreasonable.

A national independent panel for England would solve the current inconsistent and confusing approach. It would have responsibility for determining the principles of the allowances scheme, deciding a reasonable rate for the role and communicating how it has come to its recommendations to the public. It would also have the advantage of saving local councils time and money as the cost of running each IRP is estimated on average at the equivalent value of two elected members' allowances for each authority.

If a national IRP were to be set up it would call for evidence from councils and the public. The national IRP's recommendations would allow for local / regional variations to be taken into account as well as differences in types of authority. In practice, no legislation is necessary for local authorities to co-operate in establishing a joint or a national IRP. The London Boroughs have successfully established a single IRP for many years.

The publication of a national survey of councillors' allowances is important in establishing the benchmarks for what authorities are paying their councillors. This briefing has relied on data published in 2006. Since that time authorities will have amended their schemes and the figures quoted provide a useful retrospective of the recent period rather than an up-to-date analysis. When the comparative figures become available, the LGiU will update this briefing.

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## Additional Information

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